

## Sector Case Study: Recreation Vehicles (RVs)

**Most U.S. RV exports go to Canada, with only a small percentage to other markets. Though Canada is expected to account for over 90 percent of all U.S. exports through 2017, emerging markets will offer the greatest opportunities for growth. ITA will continue to work closely with industry to reduce high duty/tax rates on RV imports, address regulatory and standards issues, educate consumers and government officials about RVs, promote U.S.-made products, and connect buyers with U.S. manufacturers to leverage increased opportunities for U.S. exporters.**

A recreation vehicle (RV) is designed as temporary living quarters for travel, recreation, and camping. RVs may have their own motor power (motorhomes) or be mounted (truck campers), or towed by another vehicle (travel trailers, fifth wheel trailers, folding camping trailers). Sports utility RVs, which contain a built-in garage for hauling cycles, ATVs or sports equipment, are available in both motorhomes and towable RVs.

Retail prices for RVs range from about \$5,000 for towable models (folding camping trailers) to \$500,000 or more for motorhomes (Type A motorhomes). The variety of models allows RVs to appeal to a wide range of consumer preferences and income levels. Motorhomes can be driven and travel trailers towed in the United States with a regular automobile driver's license.

In addition to their recreational use, RVs may also be outfitted for commercial and other specialized purposes, such as disaster assistance. RVs can be produced for use as mobile offices, medical clinics, isolation units, bathrooms and showers, laundries, bunkrooms, command centers, and classrooms. They can also be used for temporary shelter for aid workers and contractors at disaster sites, or for families that have lost their homes. Throughout its history, the U.S. RV industry has responded to natural disasters and emergency situations around the globe.

### The Nature of the U.S. RV Industry

There are over 60 RV manufacturers and 200 component parts suppliers in the United States. The Recreation Vehicle Industry Association (RVIA) estimates that there are over 12,000 RV-related businesses in the United States with combined annual revenues of more than \$37.5 billion. RV manufacturers and suppliers are predominately small and medium-sized enterprises (SMEs). The industry is also highly concentrated. Over 80 percent of U.S.-made RVs are

produced in Indiana, with the majority in Elkhart County.<sup>i</sup>

Large RV companies have economies of scale in production and distribution. Some large motorhome

### Top RV Export Markets through 2017

- 1. Canada**  
*(Large market, additional opportunities available)*
- 2. China**  
*(RVs and RV camping growing in popularity, RV and campground development are national priorities)*
- 3. Australia**  
*(Large market, opportunities for rugged products)*
- 4. United Kingdom**  
*(Mid-sized market, second largest producer country in Europe)*
- 5. Korea**  
*(Camping is highly popular, large number of campgrounds)*
- 6. Mexico**  
*(Mid-sized market, unique security concerns)*
- 7. United Arab Emirates**  
*(Small market, strong demand for high-end products)*
- 8. Thailand**  
*(Camping becoming increasingly popular)*
- 9. Germany**  
*(Large market, largest producer country in Europe)*
- 10. Japan**  
*(RVs used for post-disaster assistance)*

manufacturers produce their own chassis. (Motorhome chassis typically include the vehicle frame, engine, transmission, axles, wheels, brakes, cooling system electrical system, steering system, suspension and instrumentation. Most motorhome manufacturers purchase chassis from third party manufacturers.) Small companies compete successfully by concentrating in specialty products or components.<sup>ii</sup>

Other notable characteristics of the industry are that production is labor intensive and the workforce highly skilled. It is also highly entrepreneurial and innovative as manufacturers increasingly produce lightweight towable RVs and smaller, fuel-efficient motorhomes. Green technologies, such as solar panels, are appearing on a growing number of RVs.<sup>iii</sup> The industry takes great pride in maintaining that it can build high quality, affordably priced RVs to almost any specification and need.

RV manufacturers are subject to a number of state and federal regulations and standards. RV standards include those for electrical and fuel systems, fire and safety, plumbing systems, and Federal Motor Vehicle Standards (National Highway Traffic Safety Administration, U.S. Department of Transportation). RVIA's members are required to build to the NFPA 1192 Standard on Recreation Vehicles and self-certify compliance to that standard. RVIA has inspectors that audit manufacturer compliance to the standard.

RV demand is highly dependent on demographics and consumer income. Consumers in increasing numbers are reaching the ages when they want to travel and camp in RVs. While middle-income consumers between the ages of 55 and 64 have had high RV ownership rates historically, customers between 35 and 54 are now the largest group of buyers. Over nine million households in the United States own an RV.<sup>iv</sup>

Because purchases of RVs are discretionary, demand is strongly dependent on consumer confidence. As the U.S. economy has recovered over the past several years, purchases of financed non-essential items such as RVs have performed better than other categories of retail spending.<sup>v</sup>

RV manufacturers have experienced five years of sustained growth since 2009, when shipments dropped to a recession low of 165,700 units. During the economic downturn, a number of manufacturers were forced to close or consolidate, and many that survived

did so by cutting their workforce. Since then, pent-up consumer demand, an improved economy, low interest rates, available credit, declining fuel prices, and favorable demographics have contributed to continued growth in the industry.<sup>vi</sup>

In 2014, RV shipments totaled 356,735 units, representing an 11 percent growth from the previous year. Towable RVs made up 88 percent of total shipments, and motorhomes the remaining 12 percent. In 2015, the industry predicts that total shipments will grow to 379,400 units. RVIA expects that this trend will continue for the foreseeable future.<sup>vii</sup>

### **The RV Industry Export Base**

The United States is the largest producer of RVs globally, producing more than twice as many RVs as the rest of world combined.<sup>viii</sup> However, because domestic demand has been so strong in recent years (temporarily exceeding supply at times), many manufacturers have not sought opportunities in other markets, with the exception of Canada.

Although some companies, particularly large manufacturers, have been actively involved in exporting their products, many small and medium-sized companies have focused their attention almost exclusively on the domestic market. Other SMEs are unaware of overseas opportunities. A current U.S. exports-to-shipments ratio of less than 15 percent further illustrates that exports do not yet play a significant role.

While the RV industry anticipates strong growth to continue for the near-term, market conditions could change with an economic downturn -- similar to what happened in 1980, 1990, 2001 and 2009 when wholesale shipments declined substantially.<sup>ix</sup> Increased industry involvement in exporting could help offset possible future slowdowns and declines in domestic demand.

Growing numbers of middle-class consumers with increasing discretionary income in a number of countries, particularly emerging markets, provide tremendous opportunities for U.S. exports of RVs. Also, rising numbers of consumers in these countries are becoming interested in RVs, camping and the "RV lifestyle." For a number of U.S. manufacturers that have been involved in exporting, much of their

attention to date has focused on emerging RV markets in Asia – particularly China, Korea and Japan.

While U.S. RV manufacturers face competition in emerging markets from European manufacturers (particularly Germany and Slovenia), many consumers prefer U.S.-made RVs because they can be outfitted with features that European models cannot provide at a comparable price. European-built RVs do not have slideouts and tend to be smaller and more expensive than U.S. models.

Today, approximately 93 percent of U.S. RV exports are to Canada. Exports to the other nine largest markets are small. While China is the second largest market, it represents just over 1 percent of U.S. exports. Four markets -- Australia, United Kingdom (U.K.), Korea, and Mexico -- each account for less than 1 percent of exports. The remaining markets -- United Arab Emirates (UAE), Thailand, Germany, and Japan -- each account for fewer amounts.

Although current RV exports to most countries (except Canada) are small, export values can change substantially from year to year, depending on the types of RVs exported. For example, a large order of motorhomes exported to a country one year could result in higher export values for the period compared to the same number of towables the next year.

In 2014, U.S. exports of RVs totaled \$1.7 billion. The majority of exports (75 percent) were towable RVs (travel trailers), campers and other models. Twenty-five percent of exports were motorhomes. ITA expects U.S. RV exports to increase to \$2.2 billion in 2017, with a CAGR of 10 percent. Canada will continue to be a key destination for U.S. RVs through 2017, capturing over 90 percent of all U.S. exports.

### **Optimizing U.S. Leverage**

ITA anticipates the greatest growth for U.S. exports to be to emerging markets, particularly China and Korea. In addition to increasingly favorable demographics and market conditions, growing consumer interest in RVs and camping, large numbers of existing campgrounds (Korea), and government efforts to promote tourism and develop RV and campground dedicated regulations (China), should enable opportunities for U.S. exports to grow in these countries.

In 2012, RVIA received a three-year Market Development Cooperator Program (MDCP) award from

ITA to grow exports in China, Japan, and Korea (added more recently). RVIA's objectives under the award include programs and initiatives to:

- Pursue adoption of RV and campground industry standards compatible with U.S.-made RVs to ensure market access for U.S. exports;
- Pursue inclusion of RV definitions in the China Motor Vehicle Code;
- Pursue the development of RV road use regulations and to address licensing and registration issues;
- Pursue adoption of China Compulsory Certification requirements that take into account the unique issues encountered by RV manufacturers;
- Pursue the reduction of import duties and tariffs on RVs;
- Establish a social media presence in China to promote RVing, with an emphasis on U.S. products;
- Serve as a resource for growing the RV market and campground development in China;
- Demonstrate how to operate an RV and tow a trailer; and
- Pursue opportunities to provide Japan with RVs for the country's post-disaster assistance efforts.

Continued U.S. Government support of RVIA's programs and initiatives in these countries will help increase opportunities for U.S. exporters in both the near and long-term.

In addition to its partnership with ITA as an MDCP cooperator, RVIA is also a strategic partner with ITA. This important affiliation, which began in 2013, allows the association's members enhanced access to ITA's global resources and increased opportunities in export markets.

U.S. Government services, such as those provided by CS like the Gold Key and Platinum Services, can also help leverage additional opportunities for U.S. companies. In the past, RVIA has utilized a Gold Key service in China, and more recently a Platinum Service in Japan for its initiatives to provide Japan with post-disaster assistance and develop model campground sites in disaster areas.

The participation of foreign buyers in ITA International Buyer Program (IBP) trade shows is a highly effective way of introducing them to U.S. manufacturers and products. The U.S. RV industry's annual trade show, the 53<sup>rd</sup> Annual National RV Show ([www.rvia.org](http://www.rvia.org)), December 1-3, 2015, in Louisville, KY, an industry-only

trade show, is an IBP-Select event (as was the 2014 show). ITA plans to work with industry to bring foreign buyers to the show to provide increased export opportunities for U.S. RV manufacturers and suppliers.

Because relatively little is known about RVs in many emerging markets, opportunities to promote RVs and educate consumers and government officials about U.S. products and the RV lifestyle should play a crucial role in U.S. Government and industry collaborative strategies. Trade promotion opportunities, such as outdoor lifestyle events, trade shows, and other events that facilitate the showcasing of U.S. RVs enable public officials and consumers to learn more about U.S. RVs.

While there is strong potential for increased growth for U.S. exports, RV exporters face challenges in emerging markets. A number of countries do not have adequately developed campsites (electric hook-ups, water and sanitation infrastructure, etc.) and highways to accommodate RVs. Further, because RVs are considered luxury items in some countries, they are subject to restrictive tariff and tax combinations, which limit U.S. exports to these markets. Concerns about crime also are a unique factor in some countries.

U.S. RV exports also often face a lack of regulations in overseas markets, or inconsistencies between existing standards, that generate confusion among RV manufacturers and suppliers, consumers, and government agencies. Most emerging markets do not have a designated industry category for RVs, adding to the challenge of separating them from the requirements imposed on other motor vehicles or recreational products. A key challenge in emerging markets is their adoption of quality standards.

Despite these obstacles, ITA encourages exporters to focus their efforts on emerging markets as these have the greatest opportunities for growth in the long-term. Countries that have Free Trade Agreements (FTAs) with the United States provide particularly advantageous opportunities, as these have fewer restrictions, including reduced or no import duties for RVs.

ITA will continue working collaboratively with U.S. industry to develop strategies that are specific for each market. As noted, coordinated U.S. Government and industry efforts are already underway in several key emerging markets – China, Korea, and Japan.

Country studies on the RV markets in China, Korea, and Japan follow this section of the *Top Markets* report. Information from RVIA and ITA's USFCS offices in Beijing, Seoul, and Tokyo was used for these studies.

Snapshots of additional markets (Chile, Colombia, Czech Republic, Thailand, Netherlands, United Kingdom, and Kenya) are below. ITA requested information about the RV industry in the form of a survey from all USFCS offices. The following USFCS offices provided information for the survey which was used for the "RV Market Snapshots:" Santiago; Bogota; Prague; Bangkok; The Hague; London; and Nairobi.

### **RV Market Snapshots**

#### Chile

The RV market in Chile currently is small. Though Chile has two major RV manufacturers, the domestic market is comprised primarily of imported or used RVs. In 2014, RV imports in Chile totaled \$4.5 million.

Despite its small size, the domestic RV market is growing little by little. Twenty years ago Chile did not have one suitable campground for RVs. Today, it has four campgrounds equipped for motorhomes -- three in the North of the country and one in the South. Other campgrounds may allow motorhomes; however, these typically do not offer special connections for RVs.

Similar to other emerging markets, Chile does not have dedicated regulations for RVs. Under the Chile-U.S. FTA there are no import duties on RVs – so, importers are only subject to a 19 percent value-added tax (VAT).

Though the current RV market in Chile is small, ITA believes it could provide increased opportunities for U.S. exporters in the long-term. With demand for RVs and campground development growing, and its status as an FTA partner with the United States, Chile is a potentially favorable market for U.S. companies. In 2014, U.S. RV exports to Chile totaled \$3.1 million. Travel trailers were the largest category of exports, followed by truck campers and motorhomes.

#### Colombia

In 2014, U.S. RV exports to Colombia totaled \$1.6 million. Travel trailers were the largest category of exports, followed by motorhomes. At present, Colombia does not have any campgrounds for RVs. However, local companies that sell RVs have signed partnerships with some national parks so that their vehicles are allowed in the campgrounds. There are

two major manufacturers and distributors of RVs in Colombia.

The current RV market in Colombia is somewhat limited for several reasons. Among these include security concerns in the country which make RVs a target for criminals. For this reason, Colombians generally try to avoid driving vehicles that may appear to be luxury items. Also, the high cost for RVs (particularly specialty RVs such as disaster relief units) in Colombia is an additional factor. While there is not a dedicated trade show for RVs, a local distributor exhibited in the 2014 Salon Internacional del Automovil Trade Show in Bogotá.

Though the current market in Colombia may be limited for RVs, ITA believes that it could provide opportunities for U.S. exporters in the long-term. A growing middle class with increasing levels of discretionary income and its status as an FTA partner with the United States make Colombia a potentially favorable market for U.S. companies in the long-term.

#### Czech Republic

The RV market in the Czech Republic is estimated to be about \$30 million, and it is expected to grow steadily. In 2013, 1,657 units were imported into the Czech Republic, with an average value of \$20,000. This was a 57 percent over 2012 levels. In 2014, 734 RVs were sold by September. Standards for RVs are governed by EU directives and legislation. There are two major domestic RV manufacturers.

Industry groups that represent the RV industry in the Czech Republic include OSCAR and ASOCIACE CARAVAN CLUBU ACR. The leading RV trade show in the Czech Republic is Caravaning Brno, International Caravaning Show (November).

#### Thailand

Thailand currently does not have an established RV market. While there are a small number of caravans, camper vans, and motorhomes in Thailand, most RVs are privately imported for personal use by individuals or groups of users (mostly wealthy families), or assembled locally by foreign companies and local pick-up truck assembly companies.

There are approximately 20 campgrounds across the country. Most of these are owned and managed by private resorts, and some are operated by the Thailand government national parks. Additional information

about RV parks in Thailand can be found at: <http://thairv.com/board/index.php?board=5.0>.

Five RV manufacturers in Thailand produce motorhomes, camping cars, caravans, and other products. Thailand does not have dedicated regulations for RVs.

Currently, Thailand does not have any official groups or associations that represent the RV industry. However, RV owners and consumers use the following website to communicate and share information about RVs, RV parks and buying/selling RVs: [www.tairv.com](http://www.tairv.com).

Camping is becoming increasingly popular in Thailand, driven by expanded parking areas in national parks and resorts. The popularity of camping is expected to rise even more once the Association of Southeast Asian Nations Economic Community (ASEAN) is fully implemented.<sup>x</sup> Though there are not any dedicated RV shows in Thailand, a few motor (automotive) shows feature a designated area for RVs. These include the Thailand International Expo and Bangkok International Motor Show.

While Thailand currently does not have an established RV market, camping is becoming increasingly popular. This trend, combined with a growing middle class, make Thailand a potentially favorable market for U.S. companies in the long-term. In 2014, U.S. RV exports to Thailand totaled \$4.3 million. Motorhomes were the largest category of exports, followed by travel trailers.

#### Netherlands

At the present time, 650,000 caravans and 90,000 campers are in use in the Netherlands. It ranks first in terms of caravan density in Europe. The Dutch consumer association, ANWB ([www.anwbcamping.nl](http://www.anwbcamping.nl)) lists over 1,200 caravan and campsites in the Netherlands. There are two major domestic RV manufacturers. RV standards in the Netherlands are governed by EU directives and legislation.

In 2014, new caravan sales in the Netherlands totaled 5,489 units, compared to 5,782 in 2013. The brands Hobby and Fendt are market leaders with a combined share of 41 percent of the caravan market. (Fendt recorded a 20 percent rise in sales in 2014.) The German manufacturer Knaus has an 11.5 percent market share. Used caravan sales totaled 11,847 units in 2014, compared to 11,847 units in 2013.



Campers are becoming increasingly popular in the Netherlands. In January 2009, there were 60,000 units on the market while 2014 closed with more than 90,000 campers, an increase of 50 percent over the past six years. Market leaders Humer and Adria en Burstner together comprise almost one-third of the new camper market. Campers are particularly well-received by people in the 55 and over age group.

Industry groups that represent the RV industry in the Netherlands include BOVAG, which has over 10,000 members, and ANWB, which represents consumers and companies. The European Caravan Federation (ECF) is the umbrella organization representing the national organizations of the European Caravanning Industry. The leading domestic RV trade shows are Auto RAI (April) and Kampeer en Caravan (October).

#### United Kingdom

ITA estimates the caravan industry in the United Kingdom (U.K.) to be worth £6 billion (\$9.2 billion) a year. Approximately half a million people in the United Kingdom own tourers, with another 164,000 owning motorhomes, and 260,000 caravan holiday homes. Almost all touring caravans (96 percent) and the majority of motorhomes (70 percent) sold in the United Kingdom are produced domestically.

Caravan holidays in the United Kingdom are popular for their low cost, low carbon footprint, and the abundance of places to visit in the country. Over half of holidaymakers polled last year indicated they were planning to take their annual break in the United Kingdom. There are over 3,000 caravan and campsites across England, Scotland, Wales and Northern Ireland.<sup>xi</sup>

The European leisure vehicle market suffered a 5.5 percent sales loss in 2013 relative to 2012, with 138,390 new vehicles sold. Only the Norwegian, German and U.K. markets were able to maintain the

sales levels of 2012. The unfavorable market conditions in many European countries posed a major challenge for the European leisure vehicle industry as a whole in 2013. In 2013, Germany continued to be the European market leader for new leisure vehicle sales, followed by the United Kingdom and France. There are seventeen major RV manufacturers in the United Kingdom.

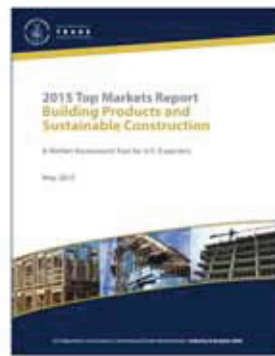
In 2012, spending by Great Britain residents during domestic camping and caravan trips was up 5 percent compared to 2010, and bed nights (overnight stays) were up 2 percent. In 2012, U.K. residents took 15.9 million camping and caravanning trips, spending £2.5 billion (\$3.8 billion) during their trips. By contrast, they made 9.8 million visits to Spain and 6.2 million to France. Of the 15.9 million trips, 48 percent were spent in static caravans, 26 percent camping, and 26 percent in touring caravans or motorhomes.

In 2012, U.K. residents spent some 71 million bed nights in caravans, tents and motorhomes. The accommodation category is second only to hotels and larger than the combined bed and breakfast (B&B) guesthouse and built self-catering sectors, by domestic trips/bed nights. In 2012, the average trip length was 4.5 nights and average spending per trip £159 (\$244) per person for domestic camping and caravanning.

RV standards in the United Kingdom are governed by EU directives and legislation. In 2014, U.S. RV exports to the United Kingdom totaled \$12.9 million. Travel trailers were the largest category of exports (62 percent), followed by motorhomes and truck campers.

#### Kenya

Kenya does not have an RV industry. ITA is uncertain whether one is viable, but a growing middle class that is currently driving economic growth in the country may in the mid to long-term see interest in this market.



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